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on, 1952-1953

SESSION 1952-53

THE SENATE OF CANADA

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Proceedings of the
(STANDING COMMITTEE ON

CANADIAN TRADE RELATIONS,

in respect to the inquiry into what, in their opinion, might be
the most practical steps to further implement Article 2
of the North Atlantic Treaty.

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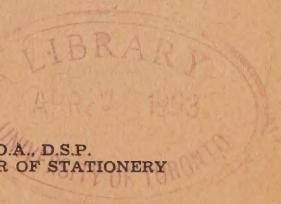
WEDNESDAY, MARCH 25, 1953

The Honourable A. N. McLEAN, Chairman

WITNESS

Dr. A. M. Landsberger, Economic Consultant, Quebec Board of Trade.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1953



CANADIAN TRADE RELATIONS

The Honourable A. N. MCLEAN, *Chairman*

The Honourable Senators:

Baird	Duffus	McDonald
Bishop	Euler	McKeen
Blais	Fraser	McLean
Buchanan	Gouin	Nicol
Burchill	*Haig	Paterson
Campbell	Howard	Petten
Crerar	Hushion	Pirie
Daigle	Kinley	*Robertson
Davies	Lambert	Turgeon
Dennis	MacKinnon	Vaillancourt—(30)
Dessureault	MacLennan	

35 Members—(Quorum 7)

*Ex officio member

ORDER OF REFERENCE

Extract from the Minutes of Proceedings of the Senate, Thursday, February 26, 1953:

"That the Standing Committee on Canadian Trade Relations be empowered to enquire into and report on—

1. What, in their opinion, might be the most practical steps to further implement Article 2 of the North Atlantic Treaty whereby the signatories to that document agreed that—"They will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them".

2. That notwithstanding the generality of the foregoing, the Committee be instructed and empowered to consider and report upon how, in their opinion,

- (a) any project for developing economic collaboration, specifically between the countries who are signatories to the North Atlantic Treaty, can be co-ordinated with the trade policies of other countries of the free world;
- (b) any project for developing economic collaboration between the countries which are signatories of the North Atlantic Treaty, might have the same degree of permanence that is contemplated in the twenty year Military obligation under Article 5 of the Treaty whereby "The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all".

3. That the Committee be empowered to extend an invitation to those wishing to be heard, including representatives of agriculture, industry, labour, trade, finance and consumers, to present their views, and that the Committee also be empowered to hear representations from business interests or individuals from any of the NATO countries who might wish to be heard.

4. That the Committee be empowered to send for persons, papers, and records, and to secure such services as may be necessary for the purpose of the enquiry.

L. C. MOYER,
Clerk of the Senate."

MINUTES OF PROCEEDINGS

WEDNESDAY, March 25, 1953.

Pursuant to adjournment and notice the Standing Committee on Canadian Trade Relations met this day at 10.30 a.m.

Present: The Honourable Senators: McLean, *Chairman*, Bishop, Buchanan, Crerar, Davies, Duffus, Euler, Haig, Howard, Kinley, McDonald, Petten, Pirie, Robertson, Turgeon and Vaillancourt.—16.

The Committee proceeded to the consideration of the order of reference of February 26, 1953.

Dr. A. M. Landsberger, Economic Consultant of the Quebec Board of Trade in foreign trade matters, was heard.

On motion of the Honourable Senator Crerar, it was resolved to report as follows:

The Committee recommend that it be authorized to print 800 copies in English and 200 copies in French of its proceedings in respect to the inquiry into what, in their opinion, might be the most practical steps to further implement Article 2 of the North Atlantic Treaty, and that Rule 100 be suspended in relation to the said printing.

Further consideration of the order of reference was postponed.

At 12.15 p.m. the Committee adjourned to the call of the Chairman.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Wednesday, March 25, 1953.

The Standing Committee on Canadian Trade Relations which was empowered to inquire into and report upon the development of trade between countries signatory to the North Atlantic Treaty, and with other countries of the free world, met this day at 10:30 a.m.

Hon. Mr. MCLEAN in the Chair.

The CHAIRMAN: Honourable senators, I will now call the committee to order. As honourable senators know, this is the first meeting of our committee since reference was made to us of a resolution introduced in the Senate on February 12 and after considerable debate was passed, and referred to us on February 26. For the benefit of all I will now read the resolution.

Hon. Mr. BEAUBIEN: Take it as read.

Hon. Mr. MCGUIRE: I think the resolution should be read. If we are working on something, we want to know what it is.

The CHAIRMAN: This is the resolution:

That the Standing Committee on Canadian Trade Relations be empowered to enquire into and report on—

1. What, in their opinion, might be the most practical steps to further implement Article 2 of the North Atlantic Treaty whereby the signatories to that document agreed that—"They will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them".

2. That, notwithstanding the generality of the foregoing, the Committee be instructed and empowered to consider and report upon how, in their opinion,

(a) any project for developing economic collaboration, specifically between the countries who are signatories to the North Atlantic Treaty, can be co-ordinated with the trade policies of other countries of the free world;

(b) any project for developing economic collaboration between the countries which are signatories of the North Atlantic Treaty, might have the same degree of permanence that is contemplated in the twenty year Military obligation under Article 5 of the Treaty whereby "The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all".

3. That the Committee be empowered to extend an invitation to those wishing to be heard, including representatives of agriculture, industry, labour, trade, finance and consumers, to present their views, and that the Committee also be empowered to hear representations from business interests or individuals from any of the NATO countries who might wish to be heard.

4. That the Committee be empowered to send for persons, papers and records, and to secure such services as may be necessary for the purpose of the enquiry.

Honourable senators, we have with us today Dr. Alfred M. Landsberger, Economic Consultant for the Quebec Board of Trade, who is to present a brief on behalf of that important organization. I should first like to read a letter addressed to myself from the Quebec Board of Trade, reading as follows:

This Board is very glad indeed to see that you have taken the initiative and that you and your committee will study ways and means for improving economic collaboration between NATO nations.

We wish to assure you of our co-operation in this matter at all times as much as we can.

Dr. Alfred M. Landsberger, our economic consultant, on whose advice we act in matters concerning international trade will represent this Board of Trade before your committee and explain what practical steps, in your opinion, should be taken for a solution of this problem.

Sincerely yours,
THE QUEBEC BOARD OF TRADE,
ROGER VEZINA,
General Manager.

I will now call on Dr. Landsberger.

Dr. ALFRED M. LANDSBERGER: Honourable Senator McLean, Hon. Senators, members of this Committee. I consider it a great honour to have the opportunity to appear before this committee and to state our opinion on the important problem now being investigated by this committee.

In a letter to Senator Robertson after his speech in the Senate of December last, in which he advocated efforts to improve economic relations between the NATO nations, the Quebec Board of Trade stated that in its opinion improvement of economic co-operation between nations of the free world is one of the most urgent economic tasks of our time; and that representatives of this Board of Trade would be glad to appear before the Senate Committee and explain how in our opinion the NATO nations can improve their economic co-operation.

We are very glad indeed that Senator McLean has taken the initiative, and that this matter will be examined by the Senate's Standing Committee on Canadian Trade Relations.

The Quebec Chamber of Commerce has been working on this problem for some time. As a member of the Canadian Chamber of Commerce, the Quebec Board of Trade has suggested, in accordance with my advice to the Canadian Chamber of Commerce about a year ago, that they should study in co-operation with the Canadian government and interested organizations of business men of other countries, the possibilities for the improvement of international collaboration as a means of improving economic conditions throughout the free world. At the same time, the Quebec Board of Trade submitted a proposal to the Canadian Chamber of Commerce concerning the first step we believe is a prerequisite for a solution of the problem.

The suggestion of the Quebec Board of Trade was made available, through the Canadian Chamber of Commerce, to the members of the Canadian Delegation in advance of the Commonwealth Economic Conference. We had the satisfaction to see, from the final communique issued by the conference, that an international plan on the lines as suggested by the Quebec Board of Trade had been adopted by the British Commonwealth of Nations. However, the specific steps for putting this plan into practice are not stated in the communique. Everything depends on whether the international co-operation will be adequate for the purpose. The Quebec Board of Trade has therefore submitted further suggestions which are being studied by the Foreign Trade Committee of the Canadian Chamber of Commerce.

Permit me first, honourable senators, to explain how we suggest to tackle the problem of improving international economic collaboration between all the democratic nations outside of the Iron Curtain. Afterwards I shall comment on the problem of adequate co-operation between NATO members.

Allow me to go into the matter more deeply in order to prove the importance of the problem and the urgency of its solution, and because I should like to build up as secure a foundation as possible for a basic solution.

A country alone cannot achieve highest possible living standards within the shortest possible time. Foreign goods and services, as well as foreign loans and investments, are needed. This is an established fact; I need not prove it further. Economic relations between nations are therefore not a luxury but are essential. Economic isolationism is not a sound policy. Consequently, since we must have international economic relations, it is of paramount importance for the western world that economic relations between free nations are carried on on a sound basis.

A proposal concerned with the improvement of international economic co-operation must first of all satisfy one basic requirement. The suggested method of co-operation must create conditions stimulating private initiative in the sphere of foreign trade and investment. In a private enterprise system, the driving power behind all economic progress is the initiative of the private enterprise. If this initiative is hampered it is impossible for the economic system to function properly.

When we examine today's situation of private enterprise in the sphere of foreign trade and investment we certainly cannot say that it is satisfactory. Private business encounters many difficulties. Foreign capital investment is generally impossible for private enterprise, due to the risks concerning withdrawal of capital and profits in most of the countries. It is extremely difficult for the business man to develop external markets, due to the unstable conditions caused by the continuous economic emergencies. A basically unfavourable climate prevails everywhere for foreign business.

The consequences of this situation appear clearly in over-all economic conditions of the western world. Economic development in areas with low living standards is unsatisfactory. This is a serious economic defect, because economic development provides the greatest possibilities for an increase in demand. Besides, this deficiency creates political problems of the most serious nature. Unsatisfactory living conditions are an important reason for people to follow Communist ideas. Due to the obstructions and restrictions private enterprise is confronted with today, international business is unsatisfactory everywhere. Economic expansion and progress is retarded more or less in most countries.

When examining the government policies and measures which create this unfavourable climate for private initiative in the field of foreign trade and investment, we find that most of the controls and restrictions have the task of preventing balance-of-payment difficulties.

This leads us to the basic principle by which all international economic intercourse is governed. International trade is a two-way affair.

If a country wishes to have foreign goods or services it must be able and ready to pay for them ultimately with exports of goods or services. Dividends and interest derived from investments on loans made in foreign countries must be included as appropriate payment for imports. On the other hand, a nation which has used foreign loans and investments can pay the interest and dividends and make repayment of the loans and investments only with exports. A country cannot cover an import deficit indefinitely with loans or investments received from the other countries.

Hon. Mr. HAIG: Mr. Chairman, some of us feel that we know this story as well as my friend does. Let him tell us how these conditions can be cured.

Take Iran, for instance: let him tell us what the British could have done in Iran that they have not done and how trading can be resumed. Then, the United States made a deal at Geneva, but they are not carrying it out.

The CHAIRMAN: I think, if we have a little patience, Dr. Landsberger will come to that.

Hon. Mr. HAIG: He is giving us a philosophy which all of us know. At least I think we do: private enterprise. But what follows? How am I, as a private Canadian citizen, to be encouraged to put money into Iran?

The CHAIRMAN: Iran is not a NATO country.

Hon. Mr. HAIG: What incentive have I to put my money into, say India? I want to get my money back, so therefore I won't put it in.

Hon. Mr. McDONALD: Mr. Chairman, let us hear the witness.

Hon. Mr. KINLEY: Let him lay the foundation.

Dr. LANDSBERGER: I am building up to that; and in order to show how one can do it I thought first, since I have not the chance to appear here every week, I had better build it up from scratch.

Hon. Mr. EULER: You are coming to your remedy a little later, after explaining the conditions.

Dr. LANDSBERGER: Yes, but based on principles which sometimes are apparently not recognized, but are the basis for the conclusions. I want to build up to these things. Within fifteen or twenty minutes you will have what we think should be done in order that the objective of foreign investment can be achieved.

Hon. Mr. HORNER: Go ahead.

Dr. LANDSBERGER: I was just saying that the best interest of a nation which wishes to export goods or services requires that its exports are covered, ultimately, by imports. Some nations apparently, Senator, do not know this; or, if they know they do not act accordingly. The attempt to balance a persistent export surplus constantly by giving loans to or making investments in foreign countries must ultimately lead to trouble. Only under extraordinary circumstances are gifts of goods and services made to other countries in one way or the other justified economically. This applies to both the giving and the receiving nations.

No country can, in the long run, escape the adverse consequences if it does not act in accordance with the principle that foreign trade is a two-way affair.

The international trade of a nation does not flow smoothly in both directions by itself. A nation constitutes an economic unit distinct from others. This fact creates problems for international economic competition. There are different economic conditions in the different countries, due to differences in economic structure, economic resources, and stage of economic development, due to different political institutions and policies pursued, and due to other reasons. These differences cannot be changed easily. Some cannot be changed at all. This fact creates problems for international competitiveness.

Furthermore, changes in the economic situation of nations may disturb the flow of trade.

International trading relations may, therefore, cause balance-of-payment problems. They may affect internal economic stability. Now the problem is to find the best way for preventing ill-effects and to derive the greatest advantage for national and international economic conditions from trading relations between nations. I have mentioned the reasons why settlement of these problems cannot be left to itself. Nor can they be solved by the individual businessman. These are problems of national and international interest which can only be tackled by government.

From the adverse consequences on private initiative and on economic conditions which I described before it is manifest that the present governmental measures for solving the economic problems arising from international economic contacts are not adequate. It will help to find a better way for coping with these problems if one examines their nature and traces the difficulties back to their origin. Surely, many problems and difficulties can be solved only by taking appropriate internal action. The own house must be put in order. However, usually the problems are of an international nature. That is, the reasons for them do not originate solely in the country in trouble but partly or even wholly outside. These problems cannot be solved in the best way without international co-operation.

I already mentioned that all these problems, directly or indirectly, and more or less, concern the balance of payments of a country. Today, we do not have adequate international collaboration in balance-of-payment matters. This is, then, a serious defect of the economic organization of the free world. As nations pursue, today, an attitude of non-co-operation or indifference in balance-of-payment problems governments have to cope with these problems alone. If a government has to struggle against disturbances from outside alone without the cooperation of other governments the most effective method is direct control over foreign transactions. In most cases this direct control will result in restrictions destructive of trade and detrimental to the efforts of private business to develop foreign markets. Governments have, today, no other way although they are aware of the adverse consequences for economic conditions.

The existing instruments of international economic co-operation, the General Agreement on Tariffs and Trade and the International Monetary Fund, reflect clearly this attitude of nations in balance-of-payment problems. None of the two instruments contains adequate rules concerning international collaboration in balance-of-payment problems. The devices in GATT and IMF for facilitating adjustments are, as experience proves, inadequate. As a consequence, GATT and IMF must accept the restrictive controls considered detrimental to our economic system by everybody as legitimate measures.

An attempt of inducing governments to abolish today's commercial policies and restrictive controls detrimental to private initiative and to economic conditions can only succeed if the suggested substitute measures will safeguard external equilibrium against foreign disturbances as well as the present measures do. Otherwise governments will not give up the present measures. In other words, whoever wishes freer trade should not try to achieve this goal by merely asking government to remove the present restrictions. This is a useless attempt as experience shows.

If this analysis is correct the solution is an adequate system of cooperation between nations in balance-of-payment matters.

As I mentioned at the beginning, achievement of highest levels of economic prosperity, of adequate development and progress all over the free world requires international cooperation. Cooperation in balance-of-payment matters is the foundation for this collaboration. Without an agreement on adequate rules for the behaviour of nations in balance-of-payment matters no effective international economic cooperation can be established.

In the following I shall name some of the main tasks of an agreement concerning international co-operation in balance-of-payment matters.

(1) The obligations of governments must be determined concerning avoidance of disequilibrium in the economy of other nations.

(2) The responsibilities of governments must be defined concerning the maintenance of an equal flow of their own exports and imports of goods and services.

(3) The role which foreign loans and investments have in international economic relations and, specifically, in trading relations must be determined.

The obligations and rights of governments in this respect particularly in connection with the repayment of foreign loans and withdrawal of foreign investments and with payments of dividends and interest to foreigners must be determined.

(4) The agreement must make sure that governments in fulfilling their obligations choose as much as possible their policies and measures in harmony with other governments so that the best results are achieved.

(5) The agreement must contain a clause to the effect that a government is entitled to carry out its obligations arising from this agreement in harmony with its internal economic policies.

(6) The agreement should provide for an international permanently functioning body of experts which has the task to watch developments and to make recommendations as a basis for consultation between the governments of signatories.

I would like to remark here that the existing instruments of international economic co-operation like the International Monetary Fund would have much more important functions than today when properly adapted to the suggested system of co-operation in balance-of-payment matters.

To plead for international co-operation in balance-of-payment matters is not to plead for charity. It is the best business proposition of our time. The task of keeping a country's international trade flowing in both directions concerns all nations. Financial crises arising from external disequilibrium of a country affect adversely all nations. It is in their own interest that they avoid any action which may cause such difficulties. Once it has been accepted by the nations of the free world that maintenance of national external equilibrium is a matter of international concern, it will not be difficult for them to establish an adequate system of co-operation in balance-of-payment matters and to agree on rules to follow in the solution of the problems involved.

Just a few words about the beneficial consequences of such international economic co-operation for economic conditions of the free world.

The establishment of definite rules to be followed by all nations in matters concerning the maintenance of an appropriate external equilibrium for each country will render it unnecessary for them to resort to the direct controls they employ for this purpose at present. Adequate international co-operation will make smooth and satisfactory adjustments in the national economy possible. Expansion of exchange of goods and services between nations will become a most attractive business proposition for the domestic producer. Consequently, he will support his government in all efforts to open up the national economy as much as possible for world-economic intercourse. This will help to remove many measures harmful to private initiative the justification of which, today, is, mainly, the difficult situation of international trade. Straightening out of imbalances in an expanding way will be easier than today because this will be possible on a multilateral basis comprising the entire free world. Today, these problems are complicated because equilibrium must be sought between a limited number of countries, frequently even between two. Co-operation in balance-of-payment matters will help to eliminate financial difficulties resulting from the withdrawal of foreign capital and profits. It is mainly, these financial difficulties which, today, force countries to prohibit such withdrawals. As a result, private enterprise will again be a major factor in the development of underdeveloped areas and of resources in general. Then you will see what progress economic development will make throughout the free world. The resulting large increase of demand will help to overcome many of today's seemingly insurmountable difficulties caused by the pressure of national interests for protection against foreign competition.

Effective international co-operation in balance-of-payment matters does not require interference with policies concerning domestic matters. The primary aims of such co-operation can be brought into harmony with domestic

policies for maintaining internal stability and full employment. In fact, smooth and satisfactory adjustments of foreign disturbances are a primary task of this co-operation. It must be left to each individual country to decide, e.g., what restrictions to abolish and when to abolish them. If a country, e.g., wishes smaller international trade and more protection of the domestic economy, it must be free to decide this course. However, as I have explained, it can safely be assumed that an adequate system of co-operation in balance-of-payment matters will lead to a considerable improvement of trading relations between nations. They will therefore, generally, not find it advantageous to decide such a course.

Naturally, there will always be economic conflicts between nations. Differences of economic conditions between the various countries will always create problems. However, there cannot be any doubt. International conflicts and problems can be solved more easily if countries work systematically together on their solution.

The conclusion of my analysis is then: Any attempt to, fundamentally, improve economic co-operation between the democratic nations of the free world must start with systematic collaboration in balance-of-payment matters. Nations must agree on adequate rules for this collaboration.

Before I comment on the problems concerning improvement of economic collaboration between NATO nations I should like to demonstrate on two examples the value of systematic international co-operation in balance-of-payment matters.

First example: The U.S.A. are constantly urged to increase her imports. Many say that all the economic difficulties of the free world would be eliminated if the problem of dollar shortage was solved. It is only natural to ask an export-surplus country to import more. However, under present conditions, it is not at all sure that advantages for the U.S.A. economy would result from an increase of her imports. Today, the U.S.A. will consider it more advantageous to preserve as much as possible, the home market for the domestic producers. Besides, the increase of imports is not only a matter of governmental action of the country that is asked to increase its imports. The U.S.A., as well as any other export-surplus country, will probably ask, today: What about the own share of countries wishing to increase their exports in helping to make the products of their economies more competitive? What is the exporter himself doing in this respect? What about the restrictions against imports in other countries? One should also consider that the world economic conditions influence greatly the economic situation of individual countries. Without a change of these underlying conditions the pattern of international trade cannot be fundamentally changed. But let us assume for a moment that U.S.A. exports and imports were straightened out. Governments of other countries could still not remove their controls for two reasons. Firstly, they do not know, today, without any definite policies of the U.S.A. in this respect, how long such equilibrium will last. As no other country has committed itself to such definite policies it cannot be expected from the U.S.A. that she will commit herself. Secondly, the other existing balance-of-payment problems, besides the dollar-shortage, can be solved without adequate co-operation, only through direct controls.

No, this is a piecemeal approach which can, surely, not solve the dollar shortage as satisfactorily as if nations work together systematically on their balance-of-payment problems. Moreover, I wish to state here that a solution of the dollar-shortage problem does not solve all today's international economic problems of the free world. There are numerous difficulties in this sphere which have other reasons. They can be solved best and fundamentally only through an adequate system of international economic co-operation.

The suggestion of the Quebec Board of Trade to solve the dollar-shortage problem may not be in line with the usual ideas. However, my statement

should not be misunderstood. Although, in our opinion, no satisfactory results can come from merely asking the U.S.A. to increase her imports as long as international economic relations are not changed fundamentally, it is, of course, in principle, a suggestion in the right direction. As such it draws the attention of the American public to one of the most serious problems the nations of the free world are confronted with today for which a basic solution must be found. Thus, it will help the U.S.A. Government to obtain support from the American public in any effort to introduce adequate foreign economic policies. U.S.A. leadership is of the greatest importance for the adoption of an adequate system of co-operation in balance-of-payment matters by nations of the free world.

Second example: The problem of free convertibility of the pound sterling occupied an important place in the discussions of the British Commonwealth Prime Ministers at the Commonwealth Economic Conference last December. The final communique contained an international plan outlined basically only according to which convertibility of the pound was, apparently, sought as part of a world-wide arrangement aiming at a fundamental solution of the problem of convertibility for currencies of all free nations and requiring systematic international co-operation. This is, in our opinion, the best way to solve the problem.

The joint communique issued in Washington on March 7 by the representatives of the U.S.A. and the United Kingdom after their economic discussions leaves the impression that this course will be continued. As in the communique of the British Commonwealth Economic Conference, improvement of economic conditions of the free world is, apparently, aimed at through concerted international action.

However, although some of the—and I quote here from the communique—"essential elements of a workable and productive economic system within the free world" are mentioned, the measures through which the desired conditions are to be reached have, apparently, not yet been determined. Anyway I cannot see anything in the public statements which would indicate the intention to take the absolutely necessary first step, namely to write the rules for international co-operation in balance-of-payment matters as a basis for the measures to be taken. Clearly, success or failure of the plan depend on the methods chosen for tackling the problems. The Bretton Woods Agreements, e.g., have the same objectives as the present economic talks between the two governments. However, these objectives have not been reached because of the inadequate means devised by the signatories of the Bretton Woods Agreements.

Whatever will become of this plan, we wish to state here that, in our opinion, (1) it would be much more difficult to make the pound convertible, on a lasting basis, if the problem of convertibility was not solved fundamentally for all currencies, which latter is possible only through adequate international co-operation in balance-of-payment matters; and (2) even the support of the pound by a nation economically so important as the U.S.A. would not be an appropriate substitute for systematic international co-operation in balance-of-payment matters when attempting to solve the problem of convertibility of the pound sterling on a lasting basis.

Now, some comments how, in our opinion, economic co-operation between NATO nations can be improved and how a project of economic co-operation between NATO nations can be co-ordinated with the trade policies of other countries of the free world.

Economic conditions of NATO members are governed by the same principles as those of other nations of the free world. NATO members are confronted with the same economic problems. These problems must be solved in the same way as those of the other nations. Therefore, in accordance with

the foregoing analysis and conclusion, the task of improving economic relations of NATO nations should be started with an attempt to bring about adequate co-operation between them in balance-of-payment matters.

International economic problems can usually be solved best if all nations having mutual economic relations co-operate in their solution. Some problems would then arise if the principle of multilateral balancing of trade were limited to NATO nations instead to all nations outside the Iron Curtain.

However, there are at least two reasons why an attempt to bring about an improvement of economic collaboration between all nations outside the Iron Curtain should begin with an attempt to bring NATO nations together for this purpose. Firstly, NATO members are, by far, the most important trading nations of the free world. Once NATO nations have agreed on a system of economic co-operation the rest of the free world cannot stay outside. Secondly, economic strength of NATO nations will strengthen NATO's military alliance. Thus, economic strength of NATO nations may help to stop aggression and to avoid war. NATO nations should be especially interested in finding ways for efficient economic co-operation.

Consequently, I conclude: an attempt to improve economic relations between democratic nations as a means to achieve and maintain prosperous economic conditions throughout the free world has a very good chance to succeed by, first, attempting to bring about adequate co-operation between NATO nations in balance-of-payment matters.

The problem of how to improve economic co-operation between free nations is of great importance and its solution is very urgent. The enemy will not attack unless he believes that he will win. One way to strengthen his position is to draw more and more countries to his side. Each country going over to Communism weakens our position and brings war closer. In peace-time serious economic troubles and low living standards help those who work against democratic institutions. Adequate economic co-operation between free nations is a prerequisite for satisfactory living conditions of their peoples.

Free nations, increasingly, realize, today, that their present economic co-operation is inadequate and that, in view of the serious world situation, a fundamental solution is urgently required. I am convinced that if Canada submitted a proposal for a solution it would be received enthusiastically by all free nations. The free world is waiting for a solution.

Thank you very much, Senator McLean and honourable senators, for the patience you have shown in listening to my statement. We shall be very glad to co-operate with this committee, if you are further interested in our opinion.

The CHAIRMAN: Do any honourable senators have questions to ask of Dr. Landsberger?

Hon. Mr. EULER: If I followed the doctor's argument, his remedy is based almost entirely on the arrangement of some method for the balance of payments between countries.

Dr. LANDSBERGER: Yes, as a starting point.

Hon. Mr. EULER: Would that not be conditional upon the establishing of convertibility?

Dr. LANDSBERGER: Senator, it is just the other way around, in our opinion. We can achieve convertibility of currencies on a lasting basis only after we have agreed on satisfactory rules for co-operation in balance of trade problems. Without such an agreement we cannot fundamentally resolve the problem of convertibility because, for instance you may have today external equilibrium but you will not know whether tomorrow you will have that equilibrium. Under these circumstances, I, as a statesman of a country, would be very unwise to give up my direct controls; but adequate rules for the co-operation in balance of payment matters will assure orderliness in this sphere on a long term basis and will help that governments can abandon the present controls.

Hon. Mr. EULER: But being realistic, how will you bring about this co-operation between the various countries for the balance of payments? What is your way of doing that?

Dr. LANDSBERGER: Everybody says today that foreign trade is a two-way affair.

Hon. Mr. EULER: Yes.

Dr. LANDSBERGER: Mr. Butler stated just yesterday, in a discussion with the OEEC members five or six points—you may have seen it—which have the same aim namely to straighten out balances. What the United States and every other country is striving at,—the European Payments Union, and the Commonwealth Economic Conference, etc.—is aimed at one thing, the removing of the disorder in international trading relations. Now, I ask myself, how can one best remove the disorder? I say that all these attempts neglect the first step, which is to write basic rules. Following that, one can start with all these measures. If it is generally admitted that foreign trade is a two-way affair, that exports must be covered finally by imports, then let us write down this as a rule first. When countries agree at the conference table, that they will do their best to translate this principle into action, you will then see how much more easy it will be than today to achieve equilibrium.

Hon. Mr. EULER: Tell us what, in your opinion, these rules should be?

Dr. LANDSBERGER: Well, I have just named 6 of the main tasks in my testimony. No. 1, responsibilities of governments must be defined concerning the maintenance of an equal flow of their own exports and imports.

Hon. Mr. EULER: How will you bring that about?

Dr. LANDSBERGER: Well, Senator, there is no magic formula for that. We have dozens, indeed hundreds of problems which must be coped with, each individually. But I repeat that so long as there are nations who do not see the importance of working together the solution of these problems will be much more difficult. If we can get them together they will solve these difficult problems together, and that will be easier than under today's conditions, where there are no rules for guidance.

Hon. Mr. EULER: Your idea would be to get them together and discuss the whole thing and arrive at some solution?

Dr. LANDSBERGER: Not for a specific problem. Basically, we have first to decide how we shall behave in balance-of-payment matters. First we must get nations to accept that foreign trade is a two-way affair. Many nations do not act accordingly today.

Hon. Mr. HAIG: The United States have arrived at just such agreements, and now they refuse to carry them out. What are we to do? They have cut our cheese and milk exports. They agreed they would not do it, but now they are doing it. What do you suggest we should do?

Dr. LANDSBERGER: The only thing is, first, to get them to accept this principle which everybody says is the only right one.

Hon. Mr. HAIG: Everybody but the fellow who is going to get caught by it. The United States is a country which does not need to import anything except raw materials.

Dr. LANDSBERGER: Well, Senator, —

Hon. Mr. HAIG: Just a moment. They do not put this principle of yours into practice. All the concessions they give are for one purpose and one purpose only. They are afraid of war, and they have got to take enough imports from other countries to get them going so they will be ready to fight for them in the event of war. Whether you like it or not, that is the situation. Why should a Canadian, who works forty hours a week, have to admit goods

from Germany, where they work sixty hours a week? Maybe we should do it, but our people are not going to do it so long as they can carry on without doing it. You can put that in your pipe and smoke it.

Dr. LANDSBERGER: May I answer this point now?

Hon. Mr. CRERAR: Mr. Chairman, —

Hon. Mr. HAIG: Wait a minute. . . . I want to ask the witness a question, the question I asked at the start. What, under these circumstances, are you going to do? The British government and British investors spent large sums of money in Iran under a contract to take out oil. The Iran government said "Nothing doing, you can't take it out." What are you going to do? How are you going to get people to invest money in Indo-China under existing conditions? Remember, we loaned the Chinese many millions of dollars; we also made large loans to France and Italy. None of these countries is paying us back; some are giving us blocked currency which we can spend only in their countries; we cannot convert it into dollars. That is the situation which exists more or less everywhere. I should like to know how you propose to solve it. I know your theory that we cannot sell to other countries unless we buy from them. Any twelve-year-old school boy knows that. But what I should like to know is, how you are going to get the United States to cut down its standard of living in order to take goods from these other countries.

Dr. LANDSBERGER: Senator, I mentioned something in this connection in my statement. I said, if you ask for such measures from the United States today the reply will be very unsatisfactory. But if we can get the nations together to work out their balance of payment problems there is a chance of creating more production,—

Hon. Mr. HAIG: Not if I know the Yankees.

Dr. LANDSBERGER: There will be more economic development, and then the U.S.A. will be able to act in the right direction.

Hon. Mr. EULER: I think I like that idea of getting together. The only thing that more or less concerns us now is that the nations—many more than those which are members of NATO—got together at Geneva, at Havana, and finally at Torquay, and they were supposed to solve certain international trade problems by the removal of restrictions and agreements not to have exclusive tariffs. But all this has not been carried out. Can it be hoped that in any future conference we would have more success? Is that your idea?

Dr. LANDSBERGER: If you look at the regulations laid down in the Monetary Fund, you will find that they reflect an unsatisfactory attitude of nations, in respect of the most important problem, that trade is a two-way affair. If you have insufficient or unsatisfactory co-operation in that point, the means you devise—the Monetary Fund, GATT, etc.—must be unsatisfactory. That is how I would answer that point. First, they must have a clear mind on what they basically have to agree upon. Then, I say, it will be possible to devise adequate measures and methods. If they do not agree to co-operate on the principle that foreign trade is a two-way affair, the means which they decide upon will always be insufficient, as the means embodied in the Monetary Fund show.

Hon. Mr. EULER: You will agree that the vital factor in all this is really the United States?

Dr. LANDSBERGER: May I again say, it is true the United States is economically the most important country of the free world.

Therefore, as I have said in my statement, it is most important that the United States assume the leadership in solving the numerous balance-of-payment problems besides the dollar shortage.

Hon. Mr. EULER: I am in sympathy with your ideas, but I still say that unless you have the United States participating wholeheartedly in any proposed scheme, you are not likely to make a success of it. I am doubtful if you can get them to go into such a scheme wholeheartedly because so far they have not played the game with us.

Dr. LANDSBERGER: It is my contention that you will not get anywhere if you go to the United States and ask them to increase imports. I do not think that would do any good. The United States could not do that even if they wanted to, because the underlying conditions must be changed.

As the present methods have proved to lead nowhere and the problem is pressing it is my hope that the U.S.A. will assume the leadership in finding better methods.

Hon. Mr. BEAUBIEN: With respect to the economic phases of the NATO agreement, would the signatory countries to this agreement have to establish certain principles and work from there on? Have they been doing this? Could you deal with that a little bit?

Dr. LANDSBERGER: As I said, I feel it is wise to start with the NATO nations because they are closely associated militarily. They begin by getting together and writing down the basic rules for co-operation in balance-of-payment matters. Then when the rules are written they can devise certain measures.

Hon. Mr. BEAUBIEN: Are you of the belief that the countries belonging to NATO, should bring about a certain set of rules which they have not got today?

Dr. LANDSBERGER: Yes, they have not got such rules at present.

Hon. Mr. BEAUBIEN: And when those rules are accepted and established you are of the opinion that the countries belonging to NATO will have a great deal more economic co-operation?

Dr. LANDSBERGER: After agreement on these rules they will devise the measures to translate the rules into action. The other countries of the free world will not be able to stay outside.

Hon. Mr. BEAUBIEN: You believe these rules should be established first by the countries that belong to NATO?

Dr. LANDSBERGER: I think agreement between NATO nations would be a good start.

Hon. Mr. HORNER: I should like to apologize for the lack of patience on the part of some honourable senators.

Hon. Mr. HAIG: Do not worry about that.

Hon. Mr. HORNER: I should like to assure the doctor that when I attempt to talk bluntly and briefly about these matters some people do not like it. Mr. Chairman, you set up this committee to get information and you have a real expert before you. He has presented a fine paper. I should like to ask him if he has made any study of what happened as a result of the Bretton Woods agreement. What does the doctor think of that?

Dr. LANDSBERGER: I made a short remark on that point too. I said that since adequate rules for behaviour of nations in balance-of-payment matters, were not agreed upon at that time, the means devised are inadequate.

Hon. Mr. HORNER: I agree with your emphasis on the establishment of some agreement on a permanent basis. I believe you pointed out in your paper the fear that the United States has that conditions might vary in a year or so. Any trade agreement will have to be reached on some permanent basis.

Dr. LANDSBERGER: That is the only solution. I may compare today's way to solve the difficulties with an open wound, which appears on the surface

as a result of a basic sickness. It is no use to patch it up. If you go to the United States because there is a dollar shortage and you say "All right, import more", this can, in my opinion, not lead anywhere.

Hon. Mr. BURCHILL: Let us discuss the rules a little bit more. Supposing the NATO nations were gathered together and they were going to discuss these rules. I should imagine the approach would be, as you have indicated, to establish a balance of imports and exports for every country. That would be the basis for it, would it not? Now, in order to work that out, would not the governments have to step in with some measure of control over imports and exports?

Dr. LANDSBERGER: This is a very important point, and here is the change which I think will be achieved by that co-operation. At the present time, in order to keep that balance and not have internal troubles, foreign exchange troubles, and so on, a government must get hold of foreign transactions through direct control.

Hon. Mr. BURCHILL: Then you are going to have government control enter into the picture.

Dr. LANDSBERGER: If I want to get rid of this control and I ask myself how can I do it? My answer is through co-operation between governments in the end indirect policies will be sufficient, and there will be no longer any need for direct controls. This is what I should like to see achieved through co-operation. Adequate financial, monetary, or fiscal policies, suitable exchange rates and other measures of co-operation will achieve the aim which now only direct controls can achieve.

Hon. Mr. CRERAR: I should like to ask the doctor a question. I may say before I ask it that I think he has given a very clear analysis of the whole problem affecting the world today in an economic sense.

I will try and speak in a tone of voice that I can be heard. Let me repeat, I think the analysis given by the doctor is a very clear analysis of the whole problem. It is, briefly, that if you are to restore the equilibrium of the world on the balance of payments, a prerequisite is free trading between the nations.

Hon. Mr. HAIG: He did not say that.

Hon. Mr. CRERAR: Now, when it comes to industrial problems, is the program not mainly a political problem? That is the question I wish to ask the doctor. For instance, if the NATO countries got together their governments and said, "Well, now we can help to solve this problem by the removal of tariffs among our group of nations; we can help to solve it by the establishing of confidence and by permitting the free movement of capital for investment." And we might add one other thing, perhaps, "by permitting the free movement of peoples." Now, in order to achieve that, is the problem not a political problem largely? If the United States goes to such a conference and agrees to a program such as I have just mentioned, could they carry that politically in their own country? If our Canadian government did, could we carry it politically in Canada? If, for instance, the Canadian government today proposes to remove the tariff on British textiles coming into Canada—remove it entirely, that would largely stimulate the importation of British textiles into Canada, and through that means Britain would find a way of buying our wheat and timber and the other things she buys from us. But the difficulty there, and I do not think the doctor can offer a solution for it, is mainly a political problem, as I see it, that is, to convince the people of each of these countries that this is a necessary and desirable thing to do.

Hon. Mr. DAVIES: Would that not ruin the textile industry in this country, Mr. Chairman.

Dr. LANDSBERGER: May I answer?

The CHAIRMAN: Yes.

Dr. LANDSBERGER: Honourable senator, you said it leads to free trading.

Hon. Mr. CRERAR: No, I did not; you misunderstood me.

Hon. Mr. HAIG: You said that.

Hon. Mr. CRERAR: I said if that happened, would that add in finding a solution for the problem.

Dr. LANDSBERGER: Well, of course, what we are trying to do is to give the private business man a freer hand. But it does not mean that we want the governments just to remove the barriers. The national interests must always be safeguarded. If governments agreed to do basically what is necessary that the order in international economic relations be maintained, I contend that fewer restrictions will be necessary than today.

Hon. Mr. CRERAR: When you speak of removal of controls, doctor, am I correct that you have in mind mainly the European countries. For instance, what controls have we today outside of tariffs?

Dr. LANDSBERGER: Well, the United States has a number of invisible controls. It is not only the measures themselves which hamper trade. The underlying conditions restrict international trade.

Hon. Mr. CRERAR: Very well. Let us assume all the controls are removed, that your condition is met. What follows then? Do you think that would immediately stimulate or increase an exchange of trade between these various countries?

Dr. LANDSBERGER: I do not think removal of controls will stimulate trade, senator. The first thing is to create order, I suggest. Just as murder is considered a crime, nations must define actions against order as an economic crime. Barriers may today be considered necessary, for protecting a certain industry. Conditions may be created through adequate co-operation which will make this protection unnecessary. There will then be more advantages from the wider sphere of trade than from the protection of the domestic market. The industry in question will not be wiped out, but will be able to go out into the world market.

Hon. Mr. EULER: What you are advocating, doctor, now, is that the countries that are NATO should discuss the problem?

Dr. LANDSBERGER: Yes, and write rules. That is the first step. It is not a solution itself.

Hon. Mr. EULER: The approach?

Dr. LANDSBERGER: The approach, yes. The first step is to write rules for behaviour in balance of payments.

Hon. Mr. HAIG: What controls as to trade are on in Canada, outside of tariffs; is there any control on trade in Canada?

Dr. LANDSBERGER: As I said already it is the generally unfavourable climate for foreign business. One country alone cannot remedy the situation. Canada is today forced I believe to ask U.S. dollars for her exports.

Hon. Mr. HAIG: But we will take the money.

Dr. LANDSBERGER: But from other countries. If we deal with South America we can only—

Hon. Mr. HAIG: But how can I convert pounds sterling into money that I have to pay people in Canada? That is the problem.

Dr. LANDSBERGER: Senator, I have been trying, through my testimony, to point out the need for writing basic rules on balance of trade matters; through adequate co-operation balance of payment matters external equilibrium will be established in all countries and this will make free convertibility of all currencies possible. This, I hope, answers this point.

Hon. Mr. HAIG: The senator sitting next to me has just said that a recent commonwealth conference was held in London.

Dr. LANDSBERGER: Yes.

Hon. Mr. HAIG: And the minute the conference was over, men were sent to the United States to try to get that country to back the deal or, as we say, to underwrite it. What is your answer to that situation?

Dr. LANDSBERGER: I do not know that they have discussed any basic rules there. I have a clipping of the newspaper account of the points Mr. Butler discussed yesterday with the OEEC members. They are as follows:

1. Establishment of a sound internal economic policy especially in debtor countries;
2. The linking of financial and trade questions because of the necessity of commercial progress hand in hand with monetary progress;
3. Action by debtors and creditors to achieve trade equilibrium especially between the dollar area and the rest of the world;
4. Emphasis on productive investments in an effort to solve the money scarcity;
5. An effort to 'revivify' the international monetary fund and similar international institutions.

But these are measures which in my opinion should come later—

Hon. Mr. HAIG: Of whom did he ask those measures, of the United States?

Dr. LANDSBERGER: Most probably he did, but first there are the rules.

Hon. Mr. HAIG: And he did not get an answer. I do not think that is a proper way to start out for a solution of the problem. They omit the first absolutely necessary step, namely to get the nations to agree on determining what is an "economic crime".

Hon. Mr. DAVIES: Mr. Chairman, you have probably had a wider experience in matters of international trade than any man in this room. I should like to hear your view on this point.

The CHAIRMAN: Honourable senators, I have been extremely interested in what the Doctor has had to say to us; and in the light of my experience in trade around the world, I can see a great deal of food for thought in his remarks. This is an intricate subject, and it is hard to put over, but I think the Doctor has made a very good presentation, in spite of the complicated nature of the subject.

On this point, I should like to ask your view, Dr. Landsberger, on one matter. One of the most outstanding men I know in the economic world suggested not long ago that we should apply to these international payments the same rules as we apply to internal payments, namely that we invoke the Statute of Limitations. To illustrate that, I might say that when I was recently in the United States, New Zealand was pressing that country to take a larger quota of butter. Of course New Zealand is purchasing goods in the United States; I do not know whether it has bonds there as Australia has, but it wants dollars and is pressing the United States to take more butter from them.

The solution which this man gave—and he is an executive of the London Chamber of Commerce, perhaps the largest body of business men in the world—was that if after seven years a creditor nation does not exercise its credits, then the Statute of Limitations is invoked and those credits are wiped out. In other words, the United States has a choice. It may say to New Zealand, we will bring in more butter, but we know we are going to have trouble with our dairy industries. But they would have seven years to bring about a balance of payments. In the meantime those credits will be held by the

central banks of the world, and if the country in question does not exercise them, they can be sold to other nations. I should like to ask Dr. Landsberger what he thinks of such a suggestion.

Dr. LANDSBERGER: If I understand this proposal correctly, it is some kind of clearing arrangement. Such a clearing arrangement must again be based first on an agreement on rules, for co-operation in balance of payment matters.

As long as nations do not submit to the basic rules, a clearing arrangement in my view will not work. Once the basic agreement has been concluded such a clearing agreement should, of course, be studied among all the other measures proposed for execution of the basic agreement.

Senator Davies asked a question a few minutes ago, in answer to which I would point out to him that the textile industry will be in danger.

May I be permitted to read what I said in that regard: "The agreement must contain a clause to the effect that the government is free to carry out its obligations arising from this agreement in harmony with its internal policies." In other words, you cannot interfere if a country decides to protect a certain industry; it may have smaller international trade and more protection if it so wishes.

Hon. Mr. DAVIES: But Senator Haig has just pointed out that we cannot compete with a country whose labour works sixty hours a week at low wages, when our own workers are on a forty-hour week and high wages. How are we going to overcome that difference?

Dr. LANDSBERGER: That is a problem already existing today. We can immediately create a paradise. The problems will continue, but by co-operation and by writing adequate rules we may solve them more easily.

Hon. Mr. DAVIES: By economic co-operation?

Dr. LANDSBERGER: Yes

Hon. Mr. McGuire: Mr. Chairman, I think we should thank the doctor for his long dissertation today, and apologize to him for taking up so much of his time.

Hon. Mr. CRERAR: I should like to ask one question. The doctor laid a good deal of stress on the importance of establishing basic rules. I presume that would be as between the NATO countries. Could he suggest to us what those basic rules should be?

Dr. LANDSBERGER: Since what these rules should be is really the most important point, I may perhaps be allowed to quote these rules again from my testimony. Now, first, the responsibilities of government must be defined concerning the maintenance of an equal flow of their own exports and imports of goods and services.

Hon. Mr. CRERAR: Let us stop there. That is an interesting statement. How would you suggest that governments bring this about?

Dr. LANDSBERGER: Well, each government will do it in a different way. One will do it by financial policies, another, by fiscal policies. There is no iron rule as to how you do that. This is left to each government. There should be a body of experts who will have the task of watching developments—at least I suggest that—and of making recommendations, so that the policies of the various countries are as much as possible in harmony.

Hon. Mr. CRERAR: I would be afraid, doctor, it would be very difficult and a long time before you could get effective results in that way.

Dr. LANDSBERGER: This depends on the degree of deterioration of economic conditions due to the failure to attempts basic solutions. With this patch-work that we are performing now we do not get anywhere. I am just trying to show how it can be done fundamentally. And I have another remark to make in that connection. Governments at present are forced to do just what I suggest. If it comes to a crisis, the government has to adopt policies which bring about

the order suggested by me sometimes alone, and even against the opposition or the indifference of other countries. It is more difficult to achieve equilibrium under these circumstances, than if countries got together. Thus what I suggest is only to attain the goal in a better way.

Hon. Mr. BEAUBIEN: In an orderly way.

Dr. LANDSBERGER: Yes, in a way which promises better results.

Hon. Mr. HORNER: We have been a long time looking for a solution and have not arrived at any, so we should have patience, and not except you, doctor, to solve the matter all at once.

Dr. LANDSBERGER: Senator, I suggest the first step.

Hon. Mr. HAIG: A conference.

Dr. LANDSBERGER: A conference. For the purpose of writing the rules for the behaviour of nations in solving balance of payments problems.

Hon. Mr. EULER: I see nothing wrong with that.

Hon. Mr. TURGEON: May I ask one question, doctor? I want to be sure that I heard you aright, and if so, what effect the thought expressed might have upon this proposed conference. I am not sure that I interpreted you aright. Did you use the word "crime" as applied to a government's desire for an export surplus? Because what I have in mind is this: we have a conference where governments are going to be given the authority to protect certain industries—textiles has been particularly referred to—and if one of the fundamentals of this conference is that an export surplus is to be considered a crime, how can you put the two together? How can the conference bring about the economic solution that you have in mind? I am asking for information.

Dr. LANDSBERGER: Allow me first of all to state that I did not say, that an export surplus is an economic crime.

Hon. Mr. HAIG: No, he did not say that.

Hon. Mr. TURGEON: I was not sure, so I asked you.

Dr. LANDSBERGER: An export surplus is in my opinion, an economic disadvantaged for the country which insists on having always an export surplus.—That is it must lead to trouble.—That is what I really meant.

Hon. Mr. EULER: There must be a deficit, arithmetically speaking. Where there are always surpluses in one set of countries, other countries must have a deficit.

Dr. LANDSBERGER: How can they cover it? By government loans and investments? If so they must pay interest on the loans, and dividends on the investments, and ultimately repay the loans and investments. How can they do that without changing the import deficit into an export surplus? Therefore, I say, to insist on persistent export surpluses must lead to trouble.

Hon. Mr. TURGEON: May I ask you one more question? You mentioned Bretton Woods. Am I right in assuming, speaking generally, that the various decisions made at Bretton Woods were based on an assumption, derived from the speeches of spokesmen of various countries, that the United States was ready to enter into a much greater system of importation of foreign goods? Would you say that was one of the reasons why the various conclusions were reached?

Dr. LANDSBERGER: Senator, I do not think that this was the background. My suspicion is that those responsible for devising these means, as we have them today, thought the world would run economically the same way as it did twenty years before. They thought probably there will be a natural adjustment of deficits of imbalances, it was thought if an instrument was sufficient to overcome the post-war troubles temporarily.

Hon. Mr. EULER: It has not worked out that way.

Dr. LANDSBERGER: No, it has not worked out. I do not think it has been anybody's fault. Under present conditions these instruments are insufficient.

Hon. Mr. PRATT: Mr. Chairman, I am not a member of this committee but may I ask Dr. Landsberger a question?

The CHAIRMAN: Certainly.

Hon. Mr. PRATT: We have had a very interesting discussion and I should like to thank the witness for his views. I should like to point out that when we talk about making rules which are going to be generally accepted, they must be tied in with the political policies and the needs of each country. Now, that creates a very difficult problem. I have been a bit puzzled here as to the emphasis being placed on a movement to tie in with the NATO countries. There are two great currencies in the world today, the sterling and the dollar. The sterling is restricted to Commonwealth trade. Sterling itself is creating its own movement, not within the sterling areas so much but in countries of diverse currencies. We have only two Commonwealth countries, England and Canada, reflecting sterling. Sterling largely gets its stability from a flow amongst the nations by trade from sterling areas into Norway, Denmark and other countries in the NATO group. Why, as a practical approach, switch our emphasis from a reconciliation of trade and movement of trade within the Commonwealth countries and the dollar areas to NATO countries with their diverse currencies? All of these countries are interlocked to some extent with the sterling and dollar, particularly the sterling. It is the easiest thing in the world to say that we will start off with a set of rules. You must remember that you have to start with principles that are politically acceptable in these various countries. I should like to get Dr. Landsberger's opinion on this. I cannot see the feasibility, the practicability, of changing our thought from a reconciliation between the sterling and dollar areas to some plan involving the NATO countries when, after all, these NATO countries are already tied in to a great extent with the sterling areas in the matter of trade? There is already a movement amongst the Commonwealth nations to establish a reconciliation of trade between the sterling and dollar areas.

Hon. Mr. EULER: If you confine it to the Commonwealth nations, you leave out the United States, which is vital.

Hon. Mr. PRATT: You misunderstood me. I am thinking of the Commonwealth and the United States. I beg your pardon. I thought I did say the sterling and the dollar areas.

Hon. Mr. HAIG: Why bring the United States in at all?

Hon. Mr. PRATT: It is not conceivable that we can adopt a policy which sidesteps the dollar country. We are right in that ourselves. We are part and parcel of the United States dollar area ourselves. We cannot possibly sidestep that. I should like to get an opinion on this. Would it not be a more feasible approach to follow along the pattern and give such impetus as we can to a reconciliation between dollar and sterling, which automatically will affect these NATO countries vastly.

Hon. Mr. EULER: That would not be in accordance with the reference, would it, Mr. Chairman?

The CHAIRMAN: No. We are tied up for twenty years in a military way, and we talk about politics. What the Dr. is trying to tell us is that NATO is a place to start in an effort to embrace the whole free world. We are tied in with NATO in a military way, so these other clauses are just as important as the military clause. Why not get something stable for twenty years on a basis of economic collaboration. I think that is what Senator Euler refers to.

There is one more point, senator, which you made. You said this is very much a political issue, if I understood you correctly. Now, the Quebec Board

of Trade is of the opinion that this is a purely economic problem—a purely economic sickness, the cure can only be, therefore, an economic cure. I mean, to keep order in international trade relations has nothing to do really, in the first place, with any political issue. It is an economic technical problem.

Hon. Mr. PRATT: But I meant to say it would be political in each country that would be adopting these rules, whatever they may be.

Dr. LANDSBERGER: How they execute these rules may depend on the political strengths of certain factors and the nature of their economy. That is entirely correct. But the rule itself is purely of an economical nature. The principle that foreign trade is a two-way affair is a purely economic problem.

Hon. Mr. EULER: Mr. Chairman, I think we have had a very interesting discussion, and I think the doctor has given us food for thought. I would like to suggest that he be extended a very hearty vote of thanks for coming here.

Some Hon. SENATORS: Hear, hear.

The CHAIRMAN: Certainly, a hearty vote of thanks.

Hon. Mr. CRERAR: Mr. Chairman, before the meeting adjourns, I have a motion I would like to move:

That the committee be authorized to print 800 copies in English and 200 copies in French of its day to day proceedings, and that Rule 100 be suspended in relation to the said printing.

The CHAIRMAN: You have heard the motion, members.

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Thank you, members, for the great interest you have taken today; and I thank the doctor personally for his very fine explanation given. Thank you very much.

Whereupon the committee adjourned.

